



DEPARTMENT OF THE NAVY  
OFFICE OF THE CHIEF OF NAVAL OPERATIONS  
WASHINGTON, DC 20350-2000

IN REPLY REFER TO

OPNAVINST 7130.8  
N82

5 April 1996

OPNAV INSTRUCTION 7130.8

From: Chief of Naval Operations

Subj: GUIDANCE FOR THE EXECUTION OF PROGRAM FUNDS AT NAVAL  
SHIPYARDS

Ref: (a) NAVCOMPTINST 7102.2C of 1 May 1995; Subj: Guidance  
for the Preparation, Submission and Review of the  
Department of the Navy (DoN) Budget Estimates  
(b) NAVSO P-1000 of 15 Aug 1995; Subj: (DoN Financial  
Management Policy Manual)

1. Purpose. To provide new procedures for the execution of  
program funds at Naval Shipyards.

2. Discussion

a. In recent years, Naval Shipyards have experienced  
significant negative operating results. This performance was in  
part due to customer decisions not to fund as much work during  
execution as had been planned in both Shipyard and customer  
budgets. Implementation of this guidance will minimize the  
negative impact on Shipyard operating results of future  
departures from budget.

b. These procedures will strengthen the communication  
between the shipyard activity group and the prime customers  
(Fleets and Systems Commanders) in order to minimize Defense  
Business Operating Fund (DBOF) losses due to lost workload.

c. This instruction provides execution guidance only.  
Naval Shipyards and their customers will continue to develop  
budgets in accordance with reference (a).

3. Action. The following execution procedures are required:

a. Major shipyard customers (Fleet and Systems Commanders)  
will commit to executing the budgets as approved through the DoN  
Apportionment Review, and subsequently adjusted by Congressional  
Appropriation Actions.



5 APR 1996

b. Before the beginning of the fiscal year, customers will negotiate with the shipyards the number of mandays which will be inducted into each yard during the fiscal year based on their approved Apportionment Review budgets, and subsequently adjusted by Congressional Appropriation Actions. Results of the negotiation will be reported to Chief of Naval Operations (CNO) (N43) and Commander, Naval Sea Systems Command (COMNAVSEASYS COM) (NAVSEA 07), with CNO (N82) as an information addressee.

c. At the beginning of the fiscal year, total annual induction workload at each Naval Shipyard will be displayed by CNO (N43), and published by message. Each major customer's (Fleet's and Systems Command's) workload will be shown separately, summarized by quarter of induction. The display will be updated quarterly by CNO (N43) to show execution results, based on the number of mandays inducted. Data to prepare the quarterly updates will be provided to CNO (N43) by COMNAVSEASYS COM (NAVSEA 07).

d. During the course of the budget execution year, CNO (N43) will work with COMNAVSEASYS COM (NAVSEA 07) and the customers to determine how to accommodate any needed changes from the customer's Apportionment Review budget plan which affect the number of mandays assigned to a naval shipyard. If number of mandays planned at a shipyard cannot be funded, the customer will notify CNO (N43) as soon as the shortfall is known, with COMNAVSEASYS COM (NAVSEA 07) as an information addressee. CNO (N43) will then represent the customer in consulting with CNO (N82) about other potential courses of action, such as adjusting the scope of work, shifting workload from the private sector to a Naval Shipyard, deferring other funded Navy programs, or sustaining a loss in DBOF. If work that was planned for a Naval Shipyard is deferred to the private sector due to external factors out of the control of the shipyard and customer, the customer must make every effort to realign workload to fully utilize the Naval Shipyard as planned. To the extent that workload cannot be realigned, the customer must notify CNO (N43).

e. Customers are not prohibited from holding management reserves against funding designated for execution at Naval Shipyards. However, such reserves will be presumed to come from

5 APR 1996

fourth quarter funding requirements. Any impact on the customer's ability to fully finance fourth quarter work at a public shipyard must be identified by the customer to CNO (N82) during the CNO Midyear Review.

f. Customers will negotiate the specific number of mandays dedicated to each availability or task for the fiscal year with the accomplishing naval shipyard. The existing policy for full funding of ship availabilities and inactivations must be followed (reference (b)). Changes in scope to availabilities will be funded in accordance with existing policy (reference (b)).

g. Should additional funding become available to customers during the year of execution, a shipyard may accept any workload that can be accommodated within the Full Time Equivalent (FTE) civilian allocation. Additional FTE allocation may be requested to support unplanned work, but availability of such additional allocation is not guaranteed.

h. Fixed pricing

(1) During execution, fixed prices may continue to be negotiated when desired by the customer and the shipyard. However, if the shipyard is not able to perform the required work package within the fixed price, the shipyard and customer must begin immediately to develop a joint plan to get performance back in line with the plan.

(2) Fixed price gains and losses may be recognized by the Naval Shipyards. If the Naval Shipyard incurs a fixed price loss for the quarter, COMNAVSEASYS COM (NAVSEA 07) must provide CNO (N43) with notification of the amount of the quarterly loss and the actions which will be taken to eliminate the loss. CNO (N43), working with CNO (N82), COMNAVSEASYS COM (NAVSEA 07) and the customers, will evaluate the actions and decide whether to accept the shipyard plan or assume the loss in the DBOF.

i. Operational Contingencies. The Fleet Commanders in Chief maintain the fundamental authority to respond to operational contingencies without impediment. This instruction adds the responsibility to immediately notify CNO (N43) so that the impact

5 APR 1998

of these operational decisions can be assessed and remedial action considered. If an unforeseen contingency requires a customer to provide less than the budgeted workload scheduled at a given Naval Shipyard, the customer must provide notification to CNO (N43), with CNO (N82), and COMNAVSEASYS COM (NAVSEA 07) as information addressees. CNO (N43), COMNAVSEASYS COM (NAVSEA 07) and the customer will then rebalance planned workload to the maximum extent possible to minimize the impact on shipyard operating results. To the extent that the entire impact cannot be eliminated, CNO (N82) will evaluate other funding options.

j. Fleet Modernization Program (FMP)

(1) FMP customers will follow the procedures described above. In addition, if the FMP project is funded from a procurement account, all line-item budget restrictions must be followed.

(2) An FMP project which has been scheduled and budgeted to be performed at a Naval Shipyard may not be diverted to another activity, public or private (including Alteration Installation Teams), unless the shipyard is incapable of performing the work. If an FMP project that was scheduled to be performed at a Naval Shipyard must be canceled due to circumstances beyond the control of the customer (e.g. equipment not delivered in time or ship availability canceled), the customer, while not required to provide replacement mandays, will attempt to rebalance planned workload to the maximum extent possible to accommodate changes and minimize the impact on shipyard operating costs. If replacement mandays cannot be provided, the customer must inform CNO (N43), with COMNAVSEASYS COM (NAVSEA 07) and CNO (N82) as information addressees, as soon as possible of the cancellation, so that an assessment of the impact on operating results can be calculated.

k. Director, Naval Nuclear Propulsion Program, (CNO (NOON)) (NAVSEA 08) retains full authority for Navy Nuclear Propulsion Plant Modernization in keeping COMNAVSEASYS COM with his statutory responsibility for all aspects of naval nuclear propulsion, including inactivation of nuclear powered ships. Specifically, COMNAVSEASYS COM (NAVSEA 08) is responsible for assigning reactor

5 APR 1990

plant modernization work to shipyards based on need and individual yard capabilities. However, to the extent consistent with this responsibility, NAVSEA 08 will comply with the guidance in this instruction regarding negotiations with shipyards, commitment of funds/workload requirements to shipyards on an annual basis, and notification of changes to the negotiated program.

  
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OPNAVINST 7130.8

5 APR 1996

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